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INFO RUCNRAQ/IRAQ COLLECTIVE IMMEDIATE

RUEHGB/AMEMBASSY BAGHDAD IMMEDIATE 0373

RUEHCP/AMEMBASSY COPENHAGEN IMMEDIATE 0561

RUEHFL/AMCONSUL FLORENCE IMMEDIATE 3512

RUEHMIL/AMCONSUL MILAN IMMEDIATE 9903

RUEHNP/AMCONSUL NAPLES IMMEDIATE 3688

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RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 0975

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C O N F I D E N T I A L SECTION 01 OF 02 ROME 000284

SIPDIS

DEPT FOR NEA-I

E.O. 12958: DECL: 03/15/2009

TAGS: PGOV PREL IZ IT

SUBJECT: IRAQ: KEEPING ITALY ENGAGED

REF: STATE 21447

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Classified By: Barbara A. Leaf, Acting Deputy Chief of Mission, for reasons 1.4 (b) and (d).

¶11. (C) Summary. Italy has been an important partner in helping provide security and economic development for Iraq. Despite the previous government's decision to withdraw combat troops from the coalition in 2006, the GOI has worked hard to maintain a leadership role in the training of Iraqi security personnel and the development of Iraq's economy through its PRT in Dhi Qar and as outgoing chair of the International Reconstruction Fund Facility for Iraq (IRFFI). Italy has excelled at both, and continued engagement along these lines should be encouraged. GOI officials have indicated to us that Italy has the resources to continue (although not necessarily augment) its engagement, but needs a clear signal from the new administration that its efforts are crucial in order to request continued funding past the end of 2009 given the bleak budgetary environment. End summary.

¶12. (C) In 2006, overwhelming voter disapproval of Italy's decision to back U.S.-led efforts to remove Saddam Hussein from power forced the former Prodi government to withdraw Italian combat troops from Iraq. The GOI, however, worked hard to extend its withdrawal as long as possible in order to avoid disruptions to remaining coalition troops. Since the withdrawal, moreover, Italy has surged its economic and NATO efforts. With the establishment of the new Iraqi government, Italy has forgiven 80 percent of Iraqi debt, provided over 240 million euros in bilateral and multilateral assistance, taken leadership of the PRT in Dhi Qar, and pledged a 400 million line of credit through a bilateral soft-loan arrangement. Most significantly, Italy partnered with the Iraqi government to manage and coordinate International Compact for Iraq (ICI) and International Reconstruction Fund Facility for Iraq (IRFFI) efforts to avoid waste, create domestic budgetary execution capacity, and solicit greater engagement by the international community. In order to highlight its contributions to the international effort to help Iraq, Italy has hosted two IRFFI conferences and one PRT conference since 2006. On the security side, Italy has the lead role in NTM-I in training Iraqi army and police forces. It has proposed training the Iraqi Air Force and Navy along similar lines.

¶13. (C) Post believes that Italy would be amenable to playing an important role in Iraq's development in the following ways:

- Continued and Expanded Participation in NTM-I. Italy's Carabinieri forces are among the most competent mentors in the development of security forces around the world. They currently provide strong leadership in international training efforts in Iraq and Afghanistan, and are engaged in important observer and/or security missions in the West Bank and Gaza, Georgia, Bosnia and Kosovo. Italy currently leads four of the five NTM-I training modules in Iraq and Carabinieri provide all of the NTM-I training to the Iraqi National Police. We believe Italy can and should continue and even expand this effort.

- Continued PRT Leadership in Dhi Qar. The PRT in Dhi Qar is the focal point for Italy's economic development efforts. Additionally, leadership of the PRT provides Italy an important political stake in the economic development process. While we understand that Italy's long-term goal is to encourage Iraqi ownership of the PRT functions, we believe this PRT should continue to be funded and staffed in the short-term, consistent with overall USG plans for the PRT operations across Iraq. The GOI has sought guidance from the USG to this effect, indicating that its PRT is funded only through the end of 2009, with the possibility of renewal through the end of 2010. If the USG believes a longer extension is desirable, we will need to signal this clearly and soon to the GOI.

- Greater Use of Soft Loan Credit Program. Italy has disbursed only 100 million of its 400 million soft loan line of credit. We should encourage both the Italian and Iraqi governments to make full use of this program.

- Assistance in Hydrocarbon Exploration and Production.

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Italy's energy parastatal entities have managed to make inroads and infrastructure investments in the Gulf and Central Asian regions, and are exploring opportunities already in Nasiriyah and Anbar regions. Italian energy parastatals have shown themselves willing to take greater investment risks than other European energy entities and Italy's oil extraction and energy supply experience could make them an important partner helping the Iraqi government develop and exploit its energy resources.

- Official Trade Missions to Explore Export-Import Opportunities. The GOI has been successful in encouraging export-import opportunities in coordination with its export credit agency (SACE). The GOI can encourage a similar mission to Iraq.

4.(C) Comment. GOI officials have repeatedly told us that the GOI has the resources to continue its existing projects in Iraq despite shrinking aid funds and a bleak budgetary environment. However, competing demands for resources in Afghanistan, combined with a self-imposed 60% cut in development spending from 2008 to 2009 could crowd out its efforts to assist Iraq. A message that the new administration sees Italian participation in Iraq's development as crucial will be critical to assuring continued Italian engagement, especially as U.S. military and civilian resources are re-deployed to Afghanistan.

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